

# **NAMAL GROWTH FUND**

## **Interim Report**

*For the Six months ended 30<sup>th</sup> September 2016*

**National Asset Management Limited**  
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# NAMAL GROWTH FUND

## *Interim Report 2016*

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Dear Investor,

We take pleasure in presenting the interim report of the Namal Growth Fund (NGF) for the six months ended 30<sup>th</sup> September 2016.

### Performance Review

The NGF generated a return of 17.8% for the six month period under review, outperforming the benchmark All Share Price Index (ASPI) and the S&P Sri Lanka 20 Index (S&P SL20) by 10.1% and 4.9%, respectively.

For the period ended September 2016, the Fund's total investment income increased by Rs. 85.0m to Rs. 119.1m driven by unrealized gains on fund's equity holdings. This was further supported by an 88.8% YoY growth in dividend income to Rs. 15.9m, which was partly offset by an 8.6% YoY decline in interest income. The fund recorded a profit of Rs. 110.0m for the six months under review, an increase of Rs. 88.6m.

### Market Review

The ASPI increased 7.6% to 6,534.8, while the S&P SL20 rose 12.9% to 3,617.3 during the six month period (Apr-Sep 2016). The performance was driven by improved market sentiment subsequent to positive developments on fiscal front (with the USD 1.5b loan facility from IMF) and encouraging earnings during the second quarter of 2016. However, the equity market witnessed a net outflow of Rs. 1.0bn (Apr-Sep 2016) as foreign investors exited due to policy uncertainty (possible reimplement of capital gains tax) and expectation of US rate hike. The average daily turnover dropped to Rs 748.2m from Rs 1,084.3m in the comparative period last year. Foreign participation stood at 37.1% of turnover for the six month ending September.

Benchmark 12 month Treasury bill auction yields increased by 21 basis points to 10.11% over the six month period under review. CBSL increased its policy rates by 50bps in July 2016 and accordingly, Standard Deposit Facility and Standing Lending Facility were increased to 7.00% and 8.50%, respectively. In subsequent monetary policy reviews, CBSL kept policy rates unchanged.

On the economic front, the Balance of Payment improved recording a surplus of USD 356.0m in the first seven months of the year, compared to a deficit of USD 1.2b the prior year. Trade deficit widened by 0.7% to USD 4.8b, owing to a 5.6% YoY drop in export, which was partially offset by a 2.9% decline in imports. However, earnings from tourism and workers' remittances increased during the period by 16.7% YoY (USD 1.9b) and 3.8% YoY (USD 4.2b), respectively.

### Portfolio Composition

The Fund has an 89% allocation to equity, with the remainder in commercial papers, debentures and repos.

NGF's highest equity concentrations are in Capital Goods sector followed by Chemicals (16%) and Oil, Gas and Consumable Fuels (13%) sector.

Sincerely,  
The Fund Management Team  
15<sup>th</sup> November 2016

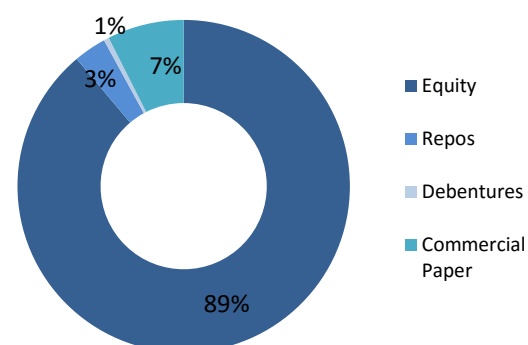
### Performance Comparison

	6M* (%)	12M (%)	24M (%)	36M (%)
ASPI	7.62	-7.32	-9.89	12.60
S&P	12.88	-5.46	-10.42	12.54
NGF	17.76	3.40	3.68	40.03

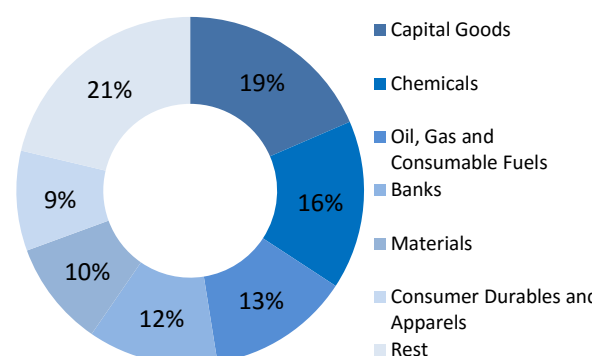
(Non-annualised returns)

\* Six month period ending 30 Sep 2016

### Asset Allocation



### Sector Allocation



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**STATEMENT OF COMPREHENSIVE INCOME**

For the six month period ended 30 September 2016

	Note	2016 Rs.	2015 Rs.
<b>INVESTMENT INCOME</b>			
Dividend income	11.1	15.94	8.44
Interest income	11.2	7.07	7.74
Net realised (losses)/gains on financial assets held for trading	7.3	(10.28)	37.00
Net change in unrealised gains/(losses) on financial assets held for trading	7.4	106.37	-19.08
<b>Total investment income</b>		119.10	34.11
<b>EXPENSES</b>			
Management and Registrar fees		6.03	6.19
Trustee fees		0.95	0.96
Audit fee and expenses		0.18	0.21
Professional charges			0.04
Other expenses		0.14	0.10
Brokerage Expenses		1.80	5.19
<b>Total operating expenses</b>		9.11	12.68
<b>Net operating profit/(loss)</b>		109.99	21.43
<b>FINANCE COST</b>			
Interest expense			-
<b>PROFIT/(LOSS) AFTER DEDUCTIONS AND BEFORE TAX</b>		109.99	21.42
Income tax expense		-	-
<b>PROFIT/(LOSS) AFTER DISTRIBUTIONS AND TAX</b>		109.99	21.42
<b>INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		109.99	21.42

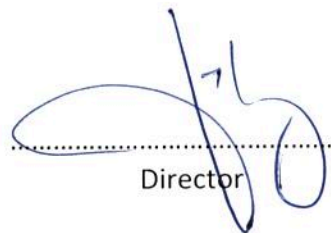
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**STATEMENT OF FINANCIAL POSITION  
As at 30 September 2016**

	Notes	2016 Rs Mn	2015 Rs Mn
<b>ASSETS</b>			
Cash and cash equivalents		5.60	4.58
Financial assets - Held for trading	7	639.42	614.67
Financial assets - Loans and receivables	8	75.97	114.48
Accrued income and other receivables	9	2.30	2.15
Income tax recoverable		7.01	5.78
<b>Total assets</b>		<u>730.31</u>	<u>741.67</u>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>			
<b>LIABILITIES</b>			
Accrued expenses	10	<u>1.36</u>	<u>1.41</u>
<b>Total Liabilities (Excluding net assets attributable to Unit Holders)</b>		1.36	1.41
<b>UNIT HOLDERS' FUNDS</b>			
<b>Net assets attributable to Unit Holders</b>		728.95	740.25
		<u>730.31</u>	<u>741.67</u>

Signed on behalf of the Management Company.

  
.....  
Director

  
.....  
Director

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**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS**  
**For the six month period ended 30 September 2016**

	<b>2016</b>	<b>2015</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>UNIT HOLDERS' FUNDS AT THE BEGINNING OF THE PERIOD</b>	623.12	659.23
Increase/ (decrease) in net assets attributable to Unit Holders	109.99	21.42
Received on unit creations	2.57	71.54
Payments on unit redemptions	(6.73)	(11.94)
<b>UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD</b>	<u>728.95</u>	<u>740.25</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**For the six month period ended 30 September 2016**

- 1** All figures are provisional and unaudited. Where necessary comparative figures have been adjusted to confirm with the changes in presentation in the current period.
- 2** Income is recognised on accrual basis
- 2.1** Interest on repurchase agreements is shown together with the applicable notional tax credit which is set off against the income tax payable by the fund.
- 3** The profit and income of the fund is liable for income tax at the rate of 10% for the year of assessment 2016/2017 as specified in part A of the Second Schedule to the Inland Revenue Act
- 4** There are no material Contingent Liabilities or contingent Assets which require disclosure in the financial statements.
- 5** No circumstances have arisen since the Balance Sheet date, which would require adjustments or disclosure in the Financial Statements.
- 6** Net Asset Value of a unit as at September 30 (Rs)  
(Applicable to Units)

<b>2016</b>	<b>2015</b>
134.91	130.48
5,351,823.70	5,629,142.22

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 30 September 2016

7 FINANCIAL ASSETS - HELD FOR TRADING

	2016 Rs.	2015 Rs.
Quoted equity securities (7.1)	635.77	604.32
Debt securities - quoted debentures (7.2)	3.65	10.35
	<u>639.42</u>	<u>614.67</u>

7.1 Quoted equity securities

Cost as at 30 September	554.82	560.87
Appreciation/(depreciation) of market value quoted equity securities	80.96	43.47
Market Value as at 30 September	<u>635.77</u>	<u>604.32</u>

7.1.1 Company	2016		2015	
	Number of Shares	Market Value	Number of Shares	Market Value
<b>Banks, Finance and Insurance</b>				
HNB- N	200,000	44.96	-	-
Nations Trust	160,000	13.42	160,000	15.55
Seylan bank	200,000	18.56		
Union Bank			250,000	5.38
Seylan Bank NV			200,000	20.39
Sampath Bank			353,932	91.39
	<u>560,000</u>	<u>76.94</u>	<u>963,932</u>	<u>132.70</u>
<b>Beverages, Food and Tobacco</b>				
Nestle Lanka			10,000	20.99
Lion Brewery			37,449	23.22
Renuka Agri	420,000	1.26	420,000	1.85
Distilleries Company of Sri Lanka			100,000	27.49
Cargills Ceylon PLC	244,316	42.76	213,316	36.26
Chevron	598,016	99.87		
LMF	123,296	14.09	185,000	26.83
	<u>1,385,628</u>	<u>157.98</u>	<u>965,765</u>	<u>136.63</u>
<b>Diversified Holdings</b>				
Hemas Holdings	666,480	69.38	666,480	56.65
Softlogic Holdings	1,400,000	20.86	1,400,000	21.14
	<u>2,066,480</u>	<u>90.24</u>	<u>2,066,480</u>	<u>77.79</u>
<b>Health Care</b>				
Durdans	100,763	10.08	100,763	11.99
Durdans NV	54,360	4.35	54,360	4.38
	<u>155,123</u>	<u>14.43</u>	<u>155,123</u>	<u>16.37</u>
<b>Hotels and Travels</b>				
Aitken Spence Hotel Holdings PLC	100,000	4.80		
	<u>100,000</u>	<u>4.80</u>	<u>-</u>	<u>-</u>
<b>Manufacturing</b>				
ACL Cables PLC	424,206	27.45	212,103	22.99
Tokyo Cement Company Lank PLC				
Non Voting	862,000	51.72	214,641	8.61
Tokyo Cement Company Lank PLC				
Voting	214,641	10.73	862,000	43.10
TJL	1,250,000	59.13	857,689	27.02
Royal Ceramic PLC			150,000	17.75
	<u>2,750,847</u>	<u>149.03</u>	<u>2,296,433</u>	<u>119.47</u>
<b>Power and Energy</b>				
Laufgs Gas PLC	1,132,189	39.63	400,000	15.80
Lanka IOC PLC	1,239,250	44.74	1,239,250	51.06
	<u>2,371,439</u>	<u>84.36</u>	<u>1,639,250</u>	<u>66.86</u>
<b>Telecommunication</b>				
Dialog Axiata PLC	5,000,000	58.00	5,000,000	54.50
	<u>5,000,000</u>	<u>58.00</u>	<u>5,000,000</u>	<u>54.50</u>
<b>Total value of quoted equity securities in (At Market Value)</b>	<u>14,389,517</u>	<u>635.78</u>	<u>13,086,983</u>	<u>604.32</u>



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**NOTES TO THE FINANCIAL STATEMENTS**

For the six month period ended 30 September 2016

**7 FINANCIAL ASSETS - HELD FOR TRADING (contd..)**

**7.2 Quoted debentures**

	2016		2015	
	Cost Rs.	Market Value Rs.	Cost	Market Value
Lion Brewary PLC	3.50	3.65	5.00	5.21
Hayleys PLC			5.00	5.14
	3.50	3.65	10.00	10.35

**7.3 Net realised (losses)/gains on financial assets held for trading**

**Equity securities**

Proceeds on sale of equity shares

Average cost of equity shares sold

2016 Rs.	2015 Rs.
29.21	147.41
(39.49)	(110.42)
(10.28)	37.00

**7.4 Net change in unrealised gains/(losses) on financial assets held for trading**

Equity securities

Debt securities - quoted debentures

2016	2015
106.35	(18.89)
0.02	(0.19)
106.37	(19.08)

**8 FINANCIAL ASSETS - LOANS AND RECEIVABLES**

**8.1 Investments in commercial papers**

**8.2 Repurchase agreements**

2016 Carrying Value Rs.	2015 Carrying Value Rs.
53.23	-
22.74	114.48
75.97	114.48

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**NOTES TO THE FINANCIAL STATEMENTS**

**For the six month period ended 30 September 2016**

<b>9 ACCRUED INCOME AND OTHER RECEIVABLES</b>	<b>2016</b>	<b>2015</b>
	<b>Rs.</b>	<b>Rs.</b>
Dividend receivable	2.26	1.75
Receivable on unit creations	0.04	0.05
Debenture Interest Recivable		0.35
	<u>2.30</u>	<u>2.15</u>
	<u><u>2.30</u></u>	<u><u>2.15</u></u>
<b>10 ACCRUED EXPENSES</b>	<b>2016</b>	<b>2015</b>
	<b>Rs.</b>	<b>Rs.</b>
Fund management and registrar fee payable	1.05	1.09
Trustee fee payable	0.16	0.17
Audit fee	0.15	0.15
Payable on unit redemptions		0.01
	<u>1.36</u>	<u>1.41</u>
	<u><u>1.36</u></u>	<u><u>1.41</u></u>
<b>11 INVESTMENT INCOME</b>	<b>2016</b>	<b>2015</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>11 Dividend income</b>	<u>15.94</u>	<u>8.44</u>
<b>11 Interest income</b>		
Interest on Treasury bill repurchase agreements	2.07	6.87
Interest on fixed deposits	-	-
Interest on commercial papers	4.42	-
Interest on debentures	0.48	0.76
Interest on savings account	0.10	0.11
	<u>7.07</u>	<u>7.74</u>
	<u><u>7.07</u></u>	<u><u>7.74</u></u>

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**CORPORATE INFORMATION**

Trustee & Deutsche Bank AG  
86 ,Galle Road  
Colombo 03

Auditors Ernst & Young  
Chartered Accountants  
201, De Saram Place  
Colombo 10

Bankers Deutsche Bank AG  
86, Galle Road  
Colombo 03

Lawyers F J & G De Saram  
Attorneys-at-Law & Notries Public  
216, De Saram Place  
Colombo 10

Managers National Asset Management Limited (NAMAL)  
Union Bank Building  
64,Galle Road  
Colombo 03

**National Asset Management Limited**

**Board of Directors (30<sup>th</sup> September 2016)**

Mr. Alexis Lovell	Chairman
Mr. Indrajit Wickramasinghe	Director
Mr. Palitha Gamage	Director
Mr. Tyronne de Silva	Director
Mr. Malinda Samaratinga	Director
Mr. Wijenanada Dambawinne	Director
Mr. Suren Madhanayake	Director
Mr. Avancka Herat	Director
Ms. Khoo Siew Bee	Director